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Committees  
Economic Development, Small  
Business and Regulatory Reform VC  
Families and Human Services VC  
Government Operations  
Health Policy

# The Jacobs Report

**FOR IMMEDIATE RELEASE**  
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## **GOVERNOR: BUDGET WOES = PAINFUL CUTS**

Bleak revenue forecasts for Michigan—with general fund income below the level of 10 years ago—will mean cuts this fall that will hit everyone, Governor Jennifer Granholm said this week. She also said that while revenue enhancements will be part of the discussion to square the budget, the dramatic size of the problem demands that she consult with residents in the series of town hall meetings that officials have already discussed.

“Clearly this is a challenge beyond certainly what we envisioned at the first of the year,” Ms. Granholm said at a news conference preceding the revenue estimating conference. “We will address it. We will fix it. It will be painful.” She said revenue enhancements—a series of new and increased fees were part of her last budget package—will be on the table when she takes the budget problems on the road.

Legislative leaders said they would work with Ms. Granholm to eliminate the deficit. Senate Appropriations Committee Chair Shirley Johnson (R-Royal Oak) said the sooner officials can get to the table to discuss cuts, the better.

Most of Michigan’s job losses from the 2001 recession occurred during the administration of former Governor John Engler. Even so, Republican State Chair Betsy DeVos blamed Ms. Granholm for not doing anything to magically boost jobs. “We have heard lots of talk about the need for more job creation in Michigan, but aside from appointing commissions and announcing future summits to discuss these problems, there has been no action taken and no solutions proposed.”

Senator Gilda Jacobs (D-Huntington Woods) called for bi-partisan cooperation. “This isn’t the time to start pointing fingers,” she said. “Michigan is facing a serious budget problem and we all need to work together and solve it. Partisan rhetoric doesn’t create jobs.”

Ms. Granholm spoke to reporters as the Revenue Estimating Conference was underway that would conclude the state’s revenues for the general fund and the School Aid Fund for 2002-03 and 2003-04 were nearly \$900 million short of earlier estimates.

The state already cut almost \$1 billion from the budget to deal with earlier revenue loss projections. But that was relatively easy compared with what the state is facing now, Ms. Granholm said, “the cuts we are looking at will in fact hit every citizen if in fact we cut \$1 billion.”

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Senate Majority Leader Ken Sikkema (R-Wyoming) expressed caution against excessive cutting. “We cannot afford to sacrifice Michigan's ability to compete for new business investment and future jobs creation,” he said.

The governor noted that the bulk of the general fund budget consists of education, health care, prisons/police and economic development—and each would take a sizeable hit if the budget is balanced by making cuts. But she continued to say the K-12 schools foundation allowance would be protected, unless the feedback in the town hall forums suggests otherwise, and she said there is little wriggle room in the growing Medicaid budget.

Ms. Granholm noted governors are united in pressing for relief from Washington in the Medicaid budget, with Michigan expected to gain more than \$400 million if the federal government picked up the cost of prescription drugs for those elderly persons who are also eligible for Medicare.

### **SENATE APPROVES CREDIT UNION BILLS**

Updates to the state's credit union laws that would allow credit unions to make short-term loans as well clarify who would be eligible for membership in a credit union, won unanimous passage Thursday in the Senate.

Passage of SB 490, SB 491, SB 492, SB 493, SB 494, SB 495 and SB 496 was originally expected to be contentious, given early concerns and opposition voiced by the banking industry. Banks have historically been edgy about easing any barriers for the non-profit institutions. The Michigan Bankers Association points out that credit unions don't pay taxes that account for 40 percent of the cost of running a bank. Since 1995, banks have paid a combined \$101 million in federal and \$17 million in state taxes.

A broad set of compromises developed over several weeks, however, preventing a dispute on the bills.

If enacted, the bills will be the first major update to Michigan's credit union law since the mid-1980s and one of the few major updates since the first laws on the subject were passed in the 1920s.

SB 496, the anchor of the package, would clarify the requirements of a credit union to establish a common bond among individuals to qualify as members, and set requirements for a credit union wanting to change or expand its membership bond conditions to get state approval.

The bill also clarifies the state's power to close credit unions in an emergency, initiate involuntary mergers of distressed credit unions with other financial institutions, as well as requiring the state to examine each credit union at least once every 18 months.

The bill also allows credit unions to make short-term loans, those that would be paid back within 30 days and for no more than \$1,000. Such loans would have a ceiling of 10 percent interest.

**State Senator Gilda Jacobs** represents the 14<sup>th</sup> Senate District, which includes Beverly Hills, Bingham Farms, Farmington, Farmington Hills, Ferndale, Franklin, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak Township, Southfield, and Southfield Township. She is the Minority Vice Chair of the Families & Human Services Committee and the Economic Development, Small Business & Regulatory Reform Committee. She also serves on the Government Operations and Health Policy Committees.

**Constituents of the 14<sup>th</sup> District may contact Senator Jacobs at [sengjacobs@senate.michigan.gov](mailto:sengjacobs@senate.michigan.gov) or toll-free at 1-888-937-4453.**

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